Arab Food, Water, and the Big Landgrab that Wasn't

Eckart Woertz
Visiting Fellow
Princeton University

Arab food should be produced with "Arab capital, Arab land, and Arab water," argues Turki Faisal Al Rasheed, a Saudi agro-businessman.[1] However, there is not enough water available in the Middle East for food self-sufficiency. The region lost the ability to grow all its needed food from renewable water resources in the 1970s. Water-scarce areas like the Arabian Peninsula, Israel, and Palestine passed this point in the 1950s.[2] The recourse of mining fossil water aquifers is unsustainable, and the day of reckoning is drawing closer. Serious steps at water preservation need to be undertaken.

Food security is widely equated with food self-sufficiency in the Middle East. A fragile dependence on food imports during World War II and an embargo-happy United States that politicized the food trade in the 1970s have informed a perception that food security can be suddenly under threat and that global markets cannot be trusted. Domestic agro-lobbies in the Middle East also argue for self-reliance in order to defend subsidies and access to scarce resources like water. If "drill baby drill" is the panacea proposed by some Americans for the United States' energy woes, "plant baby plant" is the rallying cry of an equally convinced crowd in the Middle East.

In the United States like in the Middle East, such slogans fly in the face of factor endowments—resource independence is not an option. America, as the world's largest oil consumer, is in a relationship of energy *interdependence* with the largest oil-producing region, the Persian Gulf.[3] The Middle East, on the other hand, has a similar dependence on food exporters like the United States,

Eckart Woertz is a visiting fellow at Princeton University and a consultant on food security, energy, and financial issues in the Middle East. Formerly, he was director of economic studies at the Gulf Research Center in Dubai. His forthcoming book is *Oil for Food* (Oxford University Press).

Russia, and Australia.

Saudi Arabia has decided to phase out its subsidized wheat production by 2016. As recently as the early 1990s, it was the world's sixth largest wheat exporter because of wasteful cultivation of water-intensive crops in the desert. Arguably, groundwater depletion is an even more pressing issue in the Middle East than contentious cross-border sharing of surface water along the Nile, Euphrates, Tigris, and Jordan Rivers.[4] As agriculture consumes approximately 80 percent of water in the Middle East, the easiest way to save water is to reduce agriculture and instead direct scarce water resources to meet more urgent or valuable needs such as residential or commercial consumption.

Rather than leading to a Malthusian armageddon, the lack of water has been compensated for by food imports. As crops consume water to grow, the water-scarce Middle East has the option to import from water-rich countries "virtual water" that is embedded in food produce, most notably in cereals like wheat, barley, and rice. This necessary precondition for food security in the Middle East will increase in importance. Population growth will only level out after 2050, and domestic agriculture will stay flat at best. As long as other countries produce enough exportable surplus and the Middle East has the money to pay for it on sufficiently open markets, there is no problem. No one needs to go to bed hungry as long as lower classes' access to food is assured by pro-poor growth policies and safety nets. If food security is measured by daily calorie intake, per capita income, and food import coverage by exports, Middle Eastern countries are remarkably food secure. In fact, the most water-scarce countries in the Gulf are the most food secure.[5] If anything, they have a problem with too many calories consumed: their per capita ratios of diabetes and obesity are among the highest in the world. The only Arab countries that face severe food security challenges are Yemen, Sudan, and Iraq.

Yet, reality does not exist, only different perceptions of it. The perception of Gulf countries is that their food security is threatened. The reality is that rising food prices in the wake of the global food crisis were easy for them to stomach with oil prices exceeding $100 per barrel. Gulf countries do not face the same challenges as their poor cousins in the north of the Arab world. However, the temporary export restrictions by food exporters like Argentina, Russia, India, and Vietnam in 2008 had an immense psychological impact. Gulf countries now face the specter that some day they might not be able to secure enough food imports at *any* price even if their pockets are lined with petrodollars.[6] This has reinforced the impression that food security is too important to be left to markets. Yet the penchant for politics in the Arab food security debate has prompted approaches that are unsustainable and expensive.

Access to affordable food is an important part of the social contract in any country—the Middle East is no exception. Nowhere was this phenomenon more noticeable than during the Arab Spring protests. The immediate cause of protests in Algeria was raising food prices. In Kuwait, the Emir announced 14 months of free staple foods for nationals as part of a general subsidy package. In Egypt, food subsidies have been a bone of contention in domestic politics since the bread riots of 1977. Gulf countries have reiterated their determination to increase strategic food storage up to six months and more. The United Arab Emirates has tried to rein in food prices by announcing price controls for staple foods, and retailers increasingly grumble about resulting losses. Saudi Arabia has also addressed the issue with a mixture of subsidies and price controls. In 2008, the Saudi Minister of Commerce and Industry made the mistake of replying nonchalantly to public complaints about rising food prices. He said there were nineteen types of rice and that "it is not compulsory for people to eat the most expensive." King Abdullah's reaction was swift: fire the minister, enact a rice subsidy, hike government salaries, and tell critics to control their tone.[7]

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Agro-Investments Abroad

The most publicized reaction of Gulf countries to the global food crisis was agro-investments abroad in order to ensure privileged bilateral access to food production. Most countries targeted for investments have hitherto not been known for their food export capacity and have very real food security concerns of their own. Countries like Sudan, Ethiopia, and Pakistan have been chosen because of their logistical proximity and established political and cultural ties with the Gulf countries. However, with the exception of Pakistan and its rice, none of them currently contribute any meaningful quantities to Gulf food imports. Agriculture in the Middle East, South Asia, and East Africa will also be disproportionately affected by climate change.[8] Pakistan and Central Asian countries already have a physical water shortage. Per capita water resources are low because of overuse. On the other hand, many countries in sub-Saharan Africa only have an economic water shortage because the infrastructure to access water from rivers and aquifers is lacking. Africa, unlike Latin America and

Asia, has not witnessed the adoption of large-scale commercial farming and Green Revolution technologies. Its agricultural production could be raised by investments in infrastructure, extension services, facilitation of credit, and improvements in market access.[9] However, any such modernization of agriculture carries severe implications for the land rights of traditional small-scale farmers and pastoralists.

Sudan in particular has occupied the fantasies of Arab development planners with its huge land mass, irrigation potential via the Nile, and ample rainfalls in the south. In a 1976 article, Princeton professor John Waterbury quoted contemporary voices that compared Sudan to Brazil and to the United States west of the Mississippi—a mythical Arab new frontier for a region that became increasingly reliant on food imports in the 1970s.[10] The high hopes of the 1970s to develop Sudan into the Arab bread basket did not materialize. In fact, the country is a food net importer today, and over six million of its people have to rely on food aid. Still, the Sudan development ambition is alive and well, having been resuscitated in the wake of the global food crisis of 2008 when Gulf countries announced large agro-investments in the country. The director general of the Khartoum-based Arab Organization for Agricultural Development (AOAD) knew how to nourish such hopes when saying that he was "convinced [...] that the whole Arab World needs of cereal, sugar, fodder, and other essential foodstuffs could be met by Sudan alone."[11] The World Bank has a less optimistic projection of Sudan's future export capacity. Even in the case of increased agricultural productivity and successful investments in infrastructure, Sudan will not be able to function as the bread basket for the Arab world as it also needs to cater to its own growing population.[12]

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Gulf agro-investments in the Sudan are part of a broader trend. Controversial land deals in Africa and other parts of the developing world have proliferated since 2008. The size of announced projects is disquieting, and social and environmental impact assessments rarely undertaken. If realized, such projects could severely affect the socio-economic fabrics of host countries. A worst-case scenario would entail expropriation of smallholders and pastoralists and their migration to the cities without encountering sufficient job opportunities. Host countries might then produce more and cheaper food, but they would do so mainly for export, as many of their citizens could not afford it anymore. However, a recent World Bank report states that project implementation has proven to be elusive thus far. Most projects also involve domestic investors and not so much the widely-publicized international ones.[13] In Pakistan, the report has not found evidence of a single implemented project, even though the country directly followed Sudan in the number of announced Gulf agro-investments. In Sudan and Ethiopia, there is more activity, but developments on the ground are surprising when compared to the media hype around so-called landgrab investments. Many of the Gulf institutions involved do not have a single agro-engineer among their ranks and are at best in the process of commissioning feasibility studies and scouting land leases.[14]

After the partition of Sudan in July 2011, the North lost a large part of its oil income and is in need of alternative sources of revenue. Northern Sudanese officials have urged investors from the United Arab Emirates to develop the vast swaths of land they have leased. They deplore that little progress has been achieved so far and suspect that some of the investors are holding the land just for speculation.[15] In a WikiLeaks cable, Kuwaiti officials discarded media reports about their agro-investments as unfounded. In talks with U.S. diplomats, they portrayed the idea to invest in food-deficient countries for food security as ludicrous.[16] Three years after Saudi Arabia started its international investment drive and sent delegations abroad, the assessment of Turki Faisal Al Rasheed is bleak: "Photos were taken and festivities were held, and then no results," except for some forays into food-aid dependent Ethiopia. However, he cautions that these could fail should there be political instability.[17]

The global drive into agro-investments is not just a fancy idea; it has fundamental underpinnings. Biofuels, population growth, and changing diets in emerging markets have led to increased demand, while declining productivity growth, water stress, and climate change hamper supply. The discovery of commodities as an asset class by financial investors has further fueled this explosive mixture. Yet, land and commodity investments were a must-have for institutional investors in 2008 like Internet stocks were a decade earlier. Not surprisingly, Gulf agro-investments have been announced with great pleasure and often with the pomp and inclination for superlatives typically reserved for Dubai real estate deals. Journalists were taking company announcements at face value and copied stories from each other, but asked few hard questions and did few follow-up investigations. The landgrab issue sold, so why ruin a good story? The press reports in turn often functioned as a basis for academic articles on the subject. To be fair, press freedom is regimented in the Middle East and the involved institutions have not been transparent. It has also become more difficult for downsized newspapers to finance the necessary in-depth research. Still, more nagging on the one side and openness on the other would have helped to convey a more realistic picture.

Failure to Launch

Running a farm is more complicated than just trading real estate. An example of this is the slow start of the King Abdullah Initiative for Saudi Agricultural Investment Abroad. The local business community demands extensive guarantees from the state in the form of loans and offtake agreements.[18] Financing has become more complicated since the global financial crisis. This was cited as a reason why the Saudi Binladin group has suspended multibillion dollar projects for rice cultivation in Irian Jaya and Sulawesi on Indonesia.[19] In the wake of the Arab Spring and calls for increased transparency in the political process, Saudi Kingdom Holding had to relinquish the larger part of its farmland holdings in the Egyptian Toshka Valley. The new Egyptian government froze assets of the former Egyptian Minister of Agriculture and questioned whether business proceedings had been legitimate at the time of Kingdom's land acquisition in 1998.[20] The commodity crash in the second half of 2008 reduced the urgency for agricultural investments. In 2010, when food prices surpassed the record levels of 2008, their rationale returned with a vengeance. It also dawned on the Gulf countries that the countries targeted for investment face formidable challenges, among them underdeveloped infrastructure, corruption, political unrest, and a lack of skilled labor. In a recent report, the Saudi Ministry of Commerce and Industry identified missing infrastructure and lengthy bureaucratic procedures as major reasons for the sluggish implementation of investments. Such impediments were also the reason why the plan for Sudan to become the Arab breadbasket fell by the wayside shortly after its announcement in the mid-1970s.[21] Instead, Saudi Arabia embarked on its ill-fated self-sufficiency drive in wheat production that has now hit a wall of ecological unsustainability.

The most important impediment to foreign agro-investments that has made Gulf countries think twice is the political backlash. Selling land to foreigners is a touchy subject anywhere. Gulf countries know this first hand. They forbid foreign land ownership at home and nationalized their oil business in the 1970s because of its importance as a strategic asset. In a similar vein, agro-exporters like Thailand and Brazil have taken steps to limit land ownership by foreigners.[22] Agriculture is an export cash cow for them that they want to keep national, not unlike oil for the Gulf countries. Politicians in less developed countries, on the other hand, have been generally receptive to capital inflows from abroad, but they have faced resistance from their constituencies. In Madagascar, a disputed large-scale land deal with South Korean Daewoo contributed to the downfall of the entire government.

The land in targeted countries in Africa might be formally owned by the state like in Sudan and underutilized by basic forms of traditional agriculture, but it is not unused: small scale farmers and pastoralists dwell on it.[23] These people have customary land rights, and only if they get a fair deal out of large projects in the form of compensation, jobs, and business opportunities can a win-win situation be conceivable. Gulf countries would provide the capital and targeted countries the land and labor. Non-governmental organizations like GRAIN and grassroots movements have embarked on efficient advocacy campaigns and questioned the legitimacy of land deals shortly after their announcements.[24] Planned projects of Gulf investors in Kenya, Mauritania, and Indonesia have met resistance. Without actually investing much, Gulf countries have managed to become poster child villains of the anti-globalization movement. To preempt such criticism, Qatar has put foreign agro-projects on hold until land rights issues have been sorted out in a mutually beneficial way. State-owned Hassad Food announced that it would aim to invest in existing agro-companies rather than acquire land rights and building up farming operations from scratch. The Arab Authority for Agricultural Investment and Development chose a similar approach when launching a $2 billion fund in October 2009.[25]

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Whether it is customary land rights in Africa, struggles for land reform on the Philippines, or resistance in Irian Jaya against settlers from the Indonesian population centers, once Gulf countries invest in a country they own its socio-economic conflicts. Such investments can also affect international relations. For example, successful completion of agro-investments by Gulf countries in Ethiopia could pit them against Egyptian interests. The Nile water-sharing agreement of 1959 allots 75 percent of the Nile's water flow to Egypt and 25 percent to Sudan, while Ethiopia and the other sub-Saharan riparians do not have any quota at all and are supposed to make ends meet with rainfed agriculture and soil water.[26] Historically, Ethiopia has been against the logic of this agreement and has now openly questioned it together with Uganda, Tanzania, and Rwanda.[27] Unlike earlier times, it might now have the political stability and access to funding to develop irrigation projects of its own. Egypt opposes any World Bank funding for dam projects south of its borders and has also pressed Gulf countries and

China on this point.

The Egyptian Council for Foreign Affairs, a think tank of diplomats, generals, and other public figures, raised alarms at its annual conference in 2010 over the water situation along the Nile. It warned explicitly about projects financed by Gulf donors and the World Bank, claiming that there is an indirect cooperation of Gulf countries, Israel, and the United States against Egyptian interests. The partition of Sudan was equated in no uncertain terms with the *nakba* of 1948, the lost war against Israel, which marks a low point in the collective Arab memory.[28] One may belittle this as the remarkable ability of aging Nasserites to sniff a good conspiracy, but in the 1960s the United States did indeed try to spur Ethiopian-Sudanese cooperation in Nile water issues in order to counter Egypt's pro-Soviet leanings under Egyptian President Gamal Abdel Nasser.[29] There are very real concerns at stake and Nile Basin issues will be a high priority for Egyptian foreign policy in the years ahead. After the resignation of President Hosni Mubarak, the first country that the new Prime Minister Issam Sharaf visited was Sudan. Also, Egypt has recently announced a program for self-sufficiency in wheat and a reinvigoration of the cotton trade, for which sufficient irrigation water will be crucial.[30]

The Food Weapon

The economic and ecological case against Middle Eastern food self-sufficiency is clear. At the same time, a daunting set of impediments hampers the Gulf's foreign agro-investments. Yet both strategies continue to loom large with decision makers in the region. In theory, open and equitable markets and the harmonious workings of comparative advantages might be important avenues for Gulf food security, but in reality they are only a figment of economists' imaginations. The motivations that inform the primacy of politics in Middle Eastern food security considerations are neglected by this trade-based approach to food security. Cambridge historian Elizabeth Collingham has pointed out how food provision has been a decisive aspect of warfare.[31] In World War II, it was the supplies of the Allied Middle East Supply Center in Cairo that averted famines in the Gulf. This experience of scarcity is still cited today as a rationale for securing food supplies at home or in supposedly friendly countries nearby.

The similarity with calls for energy independence in the United States is striking. The situation today reminds Gulf countries of the 1970s when the Nixon administration first raised such calls. Not only oil prices rose at that time. Food price hikes led to the world food crisis of 1974 and the United States implemented export embargos on various occasions, either out of concern for domestic inflation or as a foreign policy tool.[32] In 1973, there was a soybean export embargo aimed at curbing prices for consumers and livestock producers at home. A grain export moratorium against the Soviet Union and Poland in 1975 had the same goal and was also unsuccessfully used to muscle the Soviets into lopsided barter deals of discounted oil against food deliveries. Earlier, the United States contemplated a food embargo against OPEC countries as retaliation to the Arab oil boycott but discarded the idea as impractical. The leverage of the United States was asymmetrically lower, as it was a large consumer with limited supply alternatives in oil, while the Gulf countries with their modest population size were a small consumer with ample opportunities to substitute U.S. food deliveries. Only a multilateral approach by all OECD nations would have had a chance of success; it was deemed improbable for lack of unity among industrialized oil-consuming countries.[33]

Finally, the United States implemented a unilateral grain embargo against the Soviet Union in 1980 in the wake of the Afghanistan invasion. It tarnished the reputation of the United States as a reliable food supplier, even in the Arab world that was opposed to the invasion. Like other embargos, it was a story of trade diversion and lost market share for the United States. Other countries happily picked up the slack and ultimately the embargo failed.[34] In marked contrast, the multilateral UN embargo against Iraq in the 1990s was successful in the sense that it sealed the country off from supplies of food and other basic goods and caused an estimated 500,000 deaths. Yet it failed to achieve its policy objectives of regime change and significantly altering Iraqi foreign policy.[35] However, the impact was not lost on policy makers in the region. Syria started a program to increase wheat production and shifted cultivated acreage from cotton to grains in the 1990s.[36] Arab public opinion increasingly galvanized around the humanitarian plight in Iraq and new Arab media like Al Jazeera elevated widespread debates that Arab officials could not ignore. While sympathy for Saddam Hussein's regime was not common, compassion for the Iraqi people developed into a "defining quality of Arabness."[37] Arab politicians had to at least pay lip service to a reconsideration of the Iraqi sanction regime, and this pressure contributed to the eventual enactment of the Oil for Food Program.[38]

The Way Forward and Alternatives

If strategies of self-sufficiency and foreign agro-investments are problematic but understandable, then how could a future food security scenario in the Middle

East play out? Fawaz Al-Alami, the former World Trade Organization chief negotiator from Saudi Arabia, made the case against foreign agro-investments, arguing that they do not guarantee food security in times of crisis. While the WTO outlaws curbs on industrial exports, it allows for agricultural export restrictions in the case of domestic food security concerns. It would be hardly conceivable to enforce delivery of food items from distressed countries. Al-Alami also hints at the high costs of agricultural investments in developing countries, drawing attention to the necessary infrastructure like roads and dams that would need to be ramped up first. Instead, he recommends the buildup of strategic food reserves in the Arab world.[39]

Such programs are now being realized in the Gulf. However, the International Food Policy Research Institute (IFPRI) in Washington has contended that such national solutions could lead to unnecessary and expensive storage, an inefficient global production system, and tighter markets if practiced widely on a global level. They could cause the very problem they want to mitigate in the first place. Instead, IFPRI has suggested the creation of an international food reserve not unlike the International Energy Agency in the case of oil. Such a multilateral storage and information system could reduce market volatility by improving transparency and predictability. Through market intervention, it could also prevent speculative overshooting of agricultural commodity prices—commodities have been increasingly traded on international futures exchanges. The hope is that export restrictions like those implemented in 2008 can be avoided.[40]

The idea of an international food reserve is an evergreen of development debates. The idea is not without its critics.[41] In the 1970s, food exporters like the United States were reluctant to give up sovereignty in this area, and an international bureaucracy that would administer such a program would face questions about its legitimacy. It would also need to establish upper and lower price limits for intervention, and large bureaucracies do not have a proven track record of such second-guessing of markets. Still, large institutional investors and hedge funds certainly did no better during the global financial crisis. Widespread market failure has led to a reconsideration of former heresies. International coordination could open an avenue for Gulf countries to engage more actively with the global food economy.

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This also applies to the detrimental role of financial speculation in global food markets. The UN Special Rapporteur on the Right to Food, Olivier de Shutter, has identified it as a major contributing factor to increased volatility and the global food crisis of 2008.[42] In 2000, commodities derivatives in the United States were deregulated and trade volumes skyrocketed. Momentum-based speculation went way beyond traditional speculation and what could have been justified by beneficial provision of liquidity and hedging services to physical producers. In the wake of the global financial crisis, steps have been taken to re-regulate financial markets and over-the-counter derivatives in particular. As food importers, it would be in the interest of Gulf countries to press for such reforms, especially in the United States and United Kingdom where a majority of trades occur. This would require a more proactive stance in negotiations about a new international financial architecture. Together with Asian food importers like Japan or South Korea, Gulf countries could give weight to their position, as all of them are large creditors of the United States.

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There is no doubt that the future of food security in the Gulf will be food imports, most notably from regions with ample soil water reserves in the North.[43] The challenge is to make them predictable and affordable. An international system of food storage and market information could help, and Saudi Arabia as a member of the G-20 should participate more actively in such debates. Abu Dhabi recently announced the establishment of a food trading house to get a foothold in a market that is dominated by a few large trading companies like Cargill, Dreyfus, and Bunge. It is also a major investor in the initial public offering of international commodity trader Glencore alongside other Gulf investors like Saudi Prince Alwaleed's Kingdom Holding. Agro-investments in developing countries can be one part of the solution if handled in a transparent and equitable way, but they are hardly at its core and so far have not gotten off the ground. The likelihood that they will fizzle out like the Sudan bread basket strategy of the 1970s is considerable, especially if global food prices were to correct as they did in the second half of the 1970s.

Increased pan-Arab cooperation would be unable to achieve self-sufficiency because of a lack of water resources, but it could ameliorate food security and promote development in the wider Arab world like Turki Faisal Al Rasheed has suggested. Gulf countries have mainly cast their eyes on presumably virgin lands in Sudan and other sub-Saharan countries. But there is considerable potential in the traditional producer countries like Egypt, Syria, and Iraq not only in terms of increasing productivity, but also in terms of reducing wastage in food processing, and distribution.

Finally, domestic agriculture in the Gulf countries is currently reoriented toward water saving technologies in order to get "more crops for less drops," as the Saudi Minister of Agriculture Balghunaim put it.[44] Qatar has reformulated the self-sufficiency strategy and aims at domestic production with futuristic means such as hydroponics and greenhouses that are run with solar-based desalination. With such technologies, Qatar wants to produce up to 70 percent of its food by 2023.[45] While this could make sense in the case of higher value crops like fruits and vegetables, the production of water-intensive cereal crops in this way would be prohibitively expensive. Yet, for strategic reasons, it is intending to develop the capacity to do so. Together with strategic storage, this would provide a back-up facility for emergency situations and the failure of trading regimes.[46] Qatar has a small population and one of the highest per capita incomes in the world. It can afford such schemes, alongside other toys like luxurious cars and real estate. Still, in the long run for the Middle East, there is no way around food imports. The challenge for resource-poor countries in the Middle East is to finance them without oil; the challenge for resource-rich countries of the region will be to finance them after oil. Ultimately, the story of food security in the Middle East will be the story of economic diversification and sufficiently broad-based participation in economic development to guarantee that food is accessible to vulnerable segments of the population. In this respect, the track record of the Middle East could be better. Unlike some Asian countries, it has lagged behind in raising per capita incomes, while inequalities and food insecurity have risen in the 2000s in the wake of an economic liberalization that only benefitted a few.[47]

Notes

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